

Message Text

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ORIGIN EB-07

INFO OCT-01 AF-08 EUR-12 EA-07 ISO-00 TRSE-00 XMB-02 AID-05

CIAE-00 COME-00 FRB-03 INR-07 NSAE-00 USIA-06 OPIC-03

SP-02 CIEP-01 OMB-01 L-03 SS-15 NSC-05 IO-13 /101 R

DRAFTED BY EB/IFD/OMA:BGCROWE

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AF/C:EMARKS

TREASURY:SCANNER

EXIMBANK:JLENTZ

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R 051859Z AUG 76

FM SECSTATE WASHDC

TO AMEMBASSY BRUSSELS

AMEMBASSY TOKYO

AMEMBASSY OTTAWA

AMEMBASSY BONN

AMEMBASSY STOCKHOLM

AMEMBASSY BERN

AMEMBASSY PARIS

AMEMBASSY ROME

AMEMBASSY LONDON

AMEMBASSY KINSHASA

AMEMBASSY THE HAGUE

C O N F I D E N T I A L STATE 194305

E.O. 11652:N/A

TAGS: EFIN

SUBJECT: ZAIRE DEBT RESCHEDULING

1. AD REFERENDUM PARIS CLUB AGREEMENT ON ZAIRE DEBT RE-
SCHEDULING WAS SIGNED ON JUNE 16. WHILE THE RESCHEDULING
WAS AN ESSENTIAL ELEMENT IN ZAIRE'S RECOVERY, IT IS CLEAR
THAT SERIOUS FINANCING PROBLEMS REMAIN. ADDITIONAL SOURCES
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OF FINANCING, ACCOMPANIED BY STRICT ZAIRIAN ADHERENCE TO

THEIR ECONOMIC PERFORMANCE COMMITMENTS, MAY STILL BE REQUIRED IF THE ECONOMY IS TO BE REVIVED.

2. CONSISTENT WITH CUSTOMARY PROCEDURE, CREDITOR COUNTRIES ARE NOW RESPONSIBLE FOR NEGOTIATING BILATERAL DEBT AGREEMENTS WITH ZAIRE WHICH WILL IMPLEMENT THE PARIS CLUB ACCORD. USG POLICY ON A BILATERAL AGREEMENT IS NOW UNDER ACTIVE CONSIDERATION BY INTERESTED USG AGENCIES.

3. THERE IS, HOWEVER, SERIOUS CONCERN WITHIN THE USG AS TO WHETHER OR NOT THE GOZ'S CURRENT FINANCIAL POSITION WILL PERMIT THE GOZ TO COMPLY WITH THE REPAYMENT COMMITMENTS OF THE PARIS CLUB ACCORD. FOR, EXAMPLE, EXIM BANK HAS NOT RECEIVED INTEREST PAYMENTS TOTALING \$100,000 ON TWO CREDITS DUE JULY 15, 1976, AND THEREFORE NOT SUBJECT TO THE PARIS RESCHEDULING. IN ADDITION TO ITS COMMITMENT TO PAY INTEREST FALLING DUE ON GOVERNMENT OR GOVERNMENT GUARANTEED DEBT, ZAIRE IS ALSO COMMITTED TO ACCORD "COMPARABLE" TREATMENT TO PRIVATE CREDITORS. WE ARE ALSO STILL CONCERNED ABOUT THE EFFECTIVENESS WITH WHICH ZAIRE IS IMPLEMENTING THE STABILIZATION PROGRAM IT HAS AGREED WITH THE IMF AND WHETHER THESE MEASURES, EVEN IF WELL CARRIED OUT, CONSTITUTE A SUFFICIENT POLICY RESPONSE TO THE DIFFICULTIES ZAIRE FACES.

4. TO ASSIST OUR DECISION ON HOW BEST TO PROCEED ON A BILATERAL US-GOZ DEBT AGREEMENT, WE WOULD LIKE POSTS IN CREDITOR COUNTRIES TO ASCERTAIN FROM APPROPRIATE HOST GOVERNMENT OFFICIALS THE FOLLOWING INFORMATION:

A) THEIR INTENTIONS FOR IMPLEMENTING A BILATERAL AGREEMENT WITH ZAIRE,

B) WHETHER OR NOT THE GOZ HAS BEEN MAKING PAYMENTS -- IN ACCORDANCE WITH THE PARIS CLUB TERMS -- ON INTEREST FALLING DUE AFTER JULY 1, AND

C) THEIR ASSESSMENT OF ZAIRE'S ECONOMIC SITUATION AND THEIR VIEWS AS TO WHETHER OR NOT THEY BELIEVE ZAIRE IS CAPABLE OF MEETING THE TERMS OF THE PARIS CLUB ACCORD.
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5. FOR KINSHASA. ANOTHER POTENTIAL PROBLEM LOOMING ON THE HORIZON IS THE AUGUST 10 DUE DATE FOR APPROXIMATELY 11.5 MILLION DOLLARS IN INTEREST PAYMENTS TO EXIMBANK AND PRIVATE LENDING IT HAS GUARANTEED. FAILURE TO MEET THESE PAYMENTS COULD DELAY EXIM DISBURSEMENT OF INGA-SHABA OVER-RUN AND GECAMINES LOANS. ACCORDING TO WIEHEN OF IBRD, GOZ MAY BE ASSUMING THAT IT DOES NOT NEED TO PAY SECOND HALF

1976 INTEREST OBLIGATIONS UNTIL BILATERAL DEBT RESCHEDULING AGREEMENTS ARE ASSIGNED. THIS IS CONTRARY TO CLEAR UNDERSTANDINGS REACHED AT PARIS CLUB MEETING AND GOES AGAINST TERMS OF MULTILATERAL RESCHEDULING AGREEMENT. EMBASSY MAY WISH TO DISCUSS THIS PROBLEM WITH GOZ SO AS TO PRECLUDE LAST MINUTE PROBLEMS. AS APPROPRIATE, YOU SHOULD ALSO CONTINUE TO IMPRESS ON GOZ THE IMPORTANCE OF PURSUING ITS PLANS TO REGULARIZE PRIVATE DEBT SITUATION AND REPORT TO DEPARTMENT ON PROGRESS IN NEGOTIATIONS WITH BANK AS WELL AS IN IMPLEMENTATION OF STABILIZATION PROGRAM AGREED WITH IMF. HABIB

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Message Attributes

Automatic Decaptioning: X
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: AGREEMENTS, GOVERNMENT DEBTS, DEBT REPAYMENTS, CREDIT PROGRAMS
Control Number: n/a
Copy: SINGLE
Draft Date: 05 AUG 1976
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Authority: ShawDG
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 28 MAY 2004
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1976STATE194305
Document Source: CORE
Document Unique ID: 00
Drafter: BGCROWE
Enclosure: DG ALTERED
Executive Order: GS
Errors: N/A
Film Number: D760302-1144
From: STATE
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1976/newtext/t19760881/aaaacsyt.tel
Line Count: 126
Locator: TEXT ON-LINE, ON MICROFILM
Office: ORIGIN EB
Original Classification: CONFIDENTIAL
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 3
Previous Channel Indicators: n/a
Previous Classification: CONFIDENTIAL
Previous Handling Restrictions: n/a
Reference: n/a
Review Action: RELEASED, APPROVED
Review Authority: ShawDG
Review Comment: n/a
Review Content Flags:
Review Date: 07 APR 2004
Review Event:
Review Exemptions: n/a
Review History: RELEASED <07 APR 2004 by CunninFX>; APPROVED <10 AUG 2004 by ShawDG>
Review Markings:

Margaret P. Grafeld
Declassified/Released
US Department of State
EO Systematic Review
04 MAY 2006

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: ZAIRE DEBT RESCHEDULING
TAGS: EFIN, CG
To: BRUSSELS TOKYO OTTAWA MULTIPLE
Type: TE
Markings: Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 04 MAY 2006